



House of Representatives

General Assembly

File No. 59

January Session, 2003

House Bill No. 6374

House of Representatives, March 25, 2003

The Committee on Insurance and Real Estate reported through REP. OREFICE of the 37th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE CONNECTICUT INSURANCE GUARANTY ASSOCIATION.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (4) of section 38a-844 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (4) The association shall have the right to recover from the following
5 persons the amount of any covered claim paid on behalf of such
6 person pursuant to sections 38a-836 to 38a-853, inclusive: [(a)] (A) Any
7 person who is an affiliate of the insolvent insurer and whose liability
8 obligations to other persons are satisfied in whole or in part by
9 payments made under this chapter; and [(b)] (B) any insured whose
10 net worth on December thirty-first of the year next preceding the date
11 the insurer becomes an insolvent insurer exceeds fifty million dollars
12 and whose liability obligations to other persons are satisfied in whole
13 or in part by payments made under said sections. For purposes of this

- 14 subdivision, "insured" does not include a municipality, as defined in
15 section 7-148.

This act shall take effect as follows:	
Section 1	<i>from passage</i>

INS *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Revenue Serv., Dept.	GF - Revenue Loss	Potential Significant	Potential Significant

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 04 \$	FY 05 \$
Various Municipalities	Cost Avoidance	Potential Significant	Potential Significant

Explanation

The bill specifies that municipalities would not be subject to recoupment of claims paid on municipalities' behalf by the Connecticut Insurance Guaranty Association (CIGA). This would result in the avoidance of litigation costs for various municipalities that would otherwise contest such recoupment efforts by CIGA.¹

Since the bill would also make definite a municipality's ability to avoid recoupment of payments made by the CIGA, rather than having such outcome determined by litigation, the bill would allow municipalities to avoid the costs of payment to CIGA.²

However, since state law allows insurance companies to offset their liability to CIGA by lowering their state insurance premiums tax assessments, there could also be a revenue loss to the state.

¹ CIGA is a safety net for consumers when insurers become insolvent. It is privately administered and is funded by assessments on participating insurers.

² The range of municipalities that could be affected by the bill was not available in time for this writing. The Reliance Insurance Company, apparently the largest recent insolvency, had 155 files relating to cities and towns.

OLR Bill Analysis

HB 6374

**AN ACT CONCERNING THE CONNECTICUT INSURANCE
GUARANTY ASSOCIATION****SUMMARY:**

When a municipality's insurer becomes insolvent, the bill prohibits the Connecticut Insurance Guaranty Association from recovering from the municipality the amount of any covered claim it pays on its behalf to other persons. It does so by excluding municipalities from the definition of "insured" under the act.

EFFECTIVE DATE: October 1, 2003

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Report

Yea 14 Nay 0